

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SAN GABRIEL VALLEY WATER COMPANY (U337W) for Authorization to Update its California Alternative Rates for Water (CARW) Charges and Benefits to Reflect Existing Participation Rates.

Application 15-08-022
(Filed August 24, 2015)

**DECISION AUTHORIZING SAN GABRIEL VALLEY WATER COMPANY
TO UPDATE CALIFORNIA ALTERNATIVE RATES FOR WATER (CARW)
CHARGES AND BENEFITS****Summary**

This decision grants San Gabriel Valley Water Company authority to update its low income assistance program, called California Alternative Rates for Water, by increasing surcharges applied to customer bills to support the program and by revising the basis used to determine benefits to customers in the program. The surcharge increases and other revisions approved by this decision are needed to support higher than estimated participation by low income customers in the California Alternative Rates for Water program.

This proceeding is closed.

1. Background of Request

San Gabriel Valley Water Company (SGVW) is a public utility, under the jurisdiction of this Commission, engaged in the business of producing, treating, storing, distributing and selling water service to approximately 94,000 customers

in portions of Los Angeles and San Bernardino Counties. SGVW's principal place of business is located at 11142 Garvey Avenue, El Monte, CA 91734.

SGVW filed Application (A.) 15-08-022 on August 24, 2015, requesting authorization to update its low income assistance program known as California Alternative Rates for Water (CARW). Decision (D.)11-05-020 required water and energy utilities with overlapping service territories to share low-income customer information with the objective of increasing participation rates in water low-income assistance programs. Implementation of low-income customer information sharing between SGVW and the energy utilities serving SGVW customers has resulted in a significantly greater than anticipated participation by low income customers in SGVW's Los Angeles County and Fontana Water Company divisions. SGVW indicates that it requires authorization to update the program in these divisions to address undercollections recorded in its balancing accounts.

The Commission must scrutinize SGVW's application requesting authorization to revise its CARW program to determine whether it is in compliance with applicable rules, regulations, resolutions and prior Commission decisions. The authorization requested will be approved if SGVW presents a rationale for its rate increase proposal that is reasonable.

2. Procedural Matters

SGVW filed the Application described above, along with an Exhibit SG-1 and Exhibits A through E.¹

¹ The exhibits filed with the Application are: **Exhibit SG-1** – Direct Testimony of Rate Analyst Christina C. Sluss; **Exhibit A** – Balance Sheet as of June 30, 2015 and related statements of income for preceding twelve months; **Exhibit B** – Summary of Earnings for twelve months ended June 30, 2015; **Exhibit C** –

Footnote continued on next page

Notice of the Application was published in the Commission's Daily Calendar on August 28, 2015. Resolution ALJ 176-3363 dated September 17, 2015, preliminarily categorized this application as ratesetting as defined in Rule 1.3(e), and preliminarily determined that this proceeding would require evidentiary hearings. SGVW did not oppose the Commission's preliminary categorization. No protests or responses have been filed with the Commission concerning this application. SGVW is the only party to this proceeding.

On October 1, 2015, SGVW filed Proof of Compliance with Notice Requirements of Rule 3.2.²

A prehearing conference (PHC) was held in San Francisco on October 15, 2015. Joel Reiker, Vice President of Regulatory Affairs for SGVW, Martin Mattes of Nossaman, LLP (Counsel for SGVW) and Danilo Sanchez, of the Office of Ratepayer Advocates, appeared but did not file a protest or offer comments indicating that there was an objection to the application.

No matters came to light during the PHC which require presentation of evidence or additional testimony. The Scoping Memo and Ruling of Assigned Commissioner Liane M. Randolph (Scoping Memo) was issued on October 30, 2015, identifying the schedule and the issues to be considered in this proceeding. The Scoping Memo determined that hearings were not necessary. This decision affirms the preliminary categorization of ratesetting, and affirms

SGVW present Tariffs; **Exhibit D** - SGVW proposed Tariffs, and **Exhibit E** - Draft Notices required by Rule 3.2 (c) and (d).

² As required by Rule 3.2, SGVW enclosed proof that it published notice of the filing of this application in local newspapers, sent individual notices to its customers, and provided legal notices to the state attorney general, Department of General Services, and the county counsel, county clerk and city clerk of its principal place of business.

the assigned Commissioner's determination that there is no need for evidentiary hearing.

3. Discussion

Pub. Util. Code § 739.8 establishes the importance of providing a healthful water supply to all residents of California at an affordable cost.³ Within that general context, the Commission also has deemed it important to implement programs to provide rate relief for low-income ratepayers. We granted SGVW authority to implement a CARW program, under which rates were reduced 50 % for low income ratepayers, in D.05-05-015.⁴

Fontana Water Company Division

In D.14-05-001 in proceeding A.11-07-005, the Commission approved SGVW's implementation of a \$0.1297 per Ccf⁵ surcharge on non-CARW customers, based on an estimated 30 percent CARW participation rate

³ Pub. Util. Code § 739.8 states that: (a) Access to an adequate supply of healthful water is a basic necessity of human life, and shall be made available to all residents of California at an affordable cost; (b) The commission shall consider and may implement programs to provide rate relief for low-income ratepayers; (c) The commission shall consider and may implement programs to assist low-income ratepayers in order to provide appropriate incentives and capabilities to achieve water conservation goals; and (d) In establishing the feasibility of rate relief and conservation incentives for low-income ratepayers, the commission may take into account variations in water needs caused by geography, climate and the ability of communities to support these programs.

⁴ To qualify for the CARW program, ratepayers must: 1) demonstrate that they meet income criteria established each year by the Commission; 2) have a residential water classification; 3) live in a single family dwelling or duplex, and 4) be served through a 1-inch or smaller meter.

⁵ A Ccf is 100 cubic feet.

(11,994 customers).⁶ We also approved SGVW's implementation of a new CARW rate design based on the size of each customer's water meter.⁷

As of June 2015, actual participation in the Fontana Water Company division is 55.7 percent (22,461 customers). As a result, SGVW seeks to increase the surcharge on non-CARW customers to \$0.2408 per Ccf, which it says will mitigate undercollections⁸ by bringing recovery of costs in line with the current level of CARW benefits being provided.

Los Angeles County Division

SGVW states that it estimated a 15 percent CARW participation rate (approximately 5,700 customers) in its Los Angeles Division when it forecast CARW program costs at \$881,652 in its 2011 general rate case.⁹ As of June 2015, actual customer participation in the CARW program was 49.1 percent (18,666 customers),¹⁰ and the undercollection in the CARW Balancing Account for this division was \$3,673,014.¹¹

SGVW also seeks to change the rate design for benefits to CARW customers in the Los Angeles Division from a 50 percent discount on monthly service charges, to the design it uses in its Fontana Water Company

⁶ Exhibit SG-1, Direct Testimony of Christina C. Sluss, SGVW Rate Analyst at 4.

⁷ Under the new rate design in which the discount is based on the size of a low income customer's water meter, a customer with a 5/8" x 3/4" meter would pay \$8.00 per month; a customer with a 3/4" meter would pay \$10.00 per month, and a customer with a 1" meter would pay \$20.00 per month.

⁸ As of June 2015, there was a \$3,180,314 undercollection in the CARW Balancing Account for the Fontana Water Company division. Exhibit SG-1at4 and Attachment C.

⁹ D.11-11-018 in A.10-07-019. The estimated total annual cost of CARW benefits increases to \$2,054,325 based on the 49.1 percent CARW customer participation rate. See Exhibit SG-1, at 4-5.

¹⁰ Exhibit SG-1 at 3.

¹¹ *Id.* at 4 and Attachment B.

Division – i.e., a flat dollar amount based upon the size of the customer’s meter.¹² However, even after the change to the benefit design, the estimated total annual cost of CARW benefits (based on 49.1 percent participation) increases to \$2,054,325.¹³ Therefore, to recover its costs at the current participation level of 49.1 percent, SGVW proposes to increase the existing surcharge of \$0.1308 per Ccf¹⁴ to \$0.1851 per Ccf for non-CARW customers in its Los Angeles County Division.¹⁵ To be consistent with the accounting of surcharges and surcredits adopted for the Fontana Water Company division in D.14-05-001, SGVW will exclude recovery of CARW benefits from its monthly service charge revenue.¹⁶

SGVW attributes the rise in the CARW program participation rates to the Commission-mandated CARW customer information exchanges¹⁷ between it, Southern California Edison Company and Southern California Gas Company. When the Commission approved implementation of data sharing among water

¹² Under the new rate design in which the discount is based on the size of a low income customer’s water meter, a customer with a 5/8” x 3/4” meter would pay \$8.00 per month; a customer with a 3/4” meter would pay \$10.00 per month, and a customer with a 1” meter would pay \$20.00 per month.

¹³ See Exhibit SG-1 at 4-5. Also see Attachment E, SGVW Los Angeles County Division Low Income Rate Design, “Revised Rate Design.”

¹⁴ See Exhibit C to Application - Advice Letter 447, Sheet 2354-W, Schedule No. LA-1 under “Special Conditions” paragraph 3 and Advice Letter 466-A, Sheet 2488-W, Schedule No. LA-1C under “Special Conditions” paragraph 2.

¹⁵ See Application at 5-6 and Exhibit SG-1 at 5.

¹⁶ See Application at 5 and Attachment E – “Advice Letter No. 428-A, Updated SGVW Los Angeles County Division Rate Design & Typical Bill Comparison.” Removing \$881,652 from total monthly service charge revenues of \$19,905,611, results in a 4.43percent reduction in non-CARW customer rates.

¹⁷ D.11-05-020 adopted guidelines requiring water and energy utilities with overlapping service territories to share low-income customer information with the objective of increasing participation rates in water low-income assistance programs. The increase in SGVW’s participation rate demonstrates that the effort has been successful.

and energy utilities, we anticipated that this would lead to increased participation levels by low income customers.

The proposed rate surcharge increase on non-CARW customers in SGVW's Fontana Water Company and Los Angeles County divisions are commensurate with the increase of participation by low income customers in SGVW's CARW programs. Therefore, we find that they are reasonable.

4. Comment Period

This is an uncontested matter pertaining solely to a water corporation, which, pursuant to Public Utilities Code Section 311(g)(3), does not require a public review and comment period.

5. Assignment of Proceeding

Liane M. Randolph is the assigned Commissioner and Patricia B. Miles is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. SGVW filed A.15-08-022 on August 24, 2015, requesting authorization to update its low income assistance program known as California Alternative Rates for Water.

2. Notice of the Application was published in the Commission's Daily Calendar on August 28, 2015. No protests or responses to the Application were filed.

3. Resolution ALJ 176-3363, dated September 17, 2015, preliminarily determined that this proceeding should be categorized as ratesetting with need for hearings.

4. A PHC was held on October 15, 2015, after which the assigned Commissioner affirmed the categorization but determined that there was no need for evidentiary hearing.

5. This application is unopposed.

6. As of June 2015, the CARW participation rate in SGVW's Fontana Water Division had increased from 11,994 customers or 30 percent of customers to 22,461 customers or 55.7 percent of customers.

7. SGVW seeks to increase the surcharge on non-CARW customers in its Fontana Water Company Division from \$0.1297 per Ccf to \$0.2408 per Ccf.

8. As of June 2015, the CARW participation rate in SGVW's Los Angeles Division had increased from 5,700 customers or 15 percent to 18,666 customers or 49.1percent.

9. SGVW seeks to increase the surcharge on non-CARW customers in its Los Angeles Division from \$0.1308 per Ccf to \$0.1851 per Ccf.

10. SGVW seeks to change the rate design of benefits to CARW customers in its Los Angeles Division from a 50 percent discount on monthly service charges, to a flat dollar amount based upon the size of the customer's meter.

11. To comply with D.14-05-001, SGVW proposes to exclude recovery of \$881,652 of CARW benefits from its monthly service charge revenue, which will reduce non-CARW customer rates in its Los Angeles Division by 4.43 percent.

12. SGVW complied with the notice requirements of Rule 3.2.

Conclusions of Law

1. There is no need for evidentiary hearing.

2. SGVW's request for authorization to update its low income assistance CARW program, by increasing the surcharge applied to customer bills to support the program and by revising the basis used to determine benefits to customers in the program, should be granted.

3. SGVW's request to reduce its monthly service charge revenue by excluding \$881,652 of CARW benefits should be approved.

4. This Decision should be effective immediately.

O R D E R

IT IS ORDERED that:

1. San Gabriel Valley Water Company is authorized to increase the surcharge on non-California Alternative Rates for Water customers in its Fontana Water Company Division from \$0.1297 per 100 cubic feet (Ccf) to \$0.2408 per Ccf.

2. San Gabriel Valley Water Company is authorized to increase the surcharge on non-California Alternative Rates for Water customers in its Los Angeles Division from \$0.1308 per 100 cubic feet (Ccf) to \$0.1851 per Ccf.

3. San Gabriel Valley Water Company is authorized to change the rate design of benefits to California Alternative Rates for Water customers in its Los Angeles Division from a 50 percent discount on monthly service charges, to a flat dollar amount based upon the size of the customer's meter. The flat rate for a customer with a 5/8" x 3/4" meter shall be \$8.00 per month. The flat rate for a customer with a 3/4" meter shall be \$10.00 per month. The flat rate for a customer with a 1" meter shall be \$20.00 per month.

4. San Gabriel Valley Water Company is authorized to exclude recovery of \$881,652 of California Alternative Rates for Water benefits from its monthly service charge revenue.

5. Within five days of the effective date of this decision, San Gabriel Valley Water Company is authorized to file a Tier 1 Advice Letter with revised tariff schedules incorporating the new surcharges in its Fontana and Los Angeles Division. The filing shall be subject to approval by the Commission's Division of Water and Audits.

6. The hearing determination is changed to "hearings are not necessary."

7. Application 15-08-022 is closed.

This order is effective today.

Dated _____, 2016, at San Francisco, California.